

December 1994

THE CHALLENGES FACING FEDERAL RENTAL ASSISTANCE PROGRAMS

The federal government spent over \$22 billion in fiscal year 1994 to provide housing assistance to nearly 4.7 million renters with low incomes. But tight budgets and questions about the effectiveness of rental aid programs have brought calls for a better understanding of the housing situation of renters. A new Congressional Budget Office (CBO) study, *The Challenges Facing Federal Rental Assistance Programs*, focuses on the economic and housing conditions of lower-income renters and analyzes how those conditions differ for recipients of aid and nonrecipients.

The study finds that between 1975 and 1991, rents increased much faster than households' incomes over broad segments of the rental housing market and especially among renters with low incomes. For some lower-income households, the larger share of their income that they paid for rent probably reflects a choice that they made to live in bigger or better-quality housing. For others, it may indicate a lack of housing options--they might have preferred to live in cheaper units but could not find them.

The CBO study concludes that federal rental assistance is fairly successful in achieving its basic goals of reducing housing costs and improving housing conditions for assisted households. Overall, the incidence of most housing problems is considerably lower for subsidized households than for their unsubsidized counterparts. But for some recipients, federal aid does not eliminate all housing problems. Those findings are based on the prevalence of three objectively measured problems (living in costly, physically substandard, or crowded housing units) and two subjective ones (renters' dissatisfaction with their unit or with their neighborhood). The study considers four demographic groups of lower-income renters in arriving at its conclusions: elderly and nonelderly households without children and small and large families with children.

Rental assistance is not provided as an entitlement but instead depends on the levels of current and past appropriations by the Congress. Indeed, only a fraction of eligible households receive federal housing aid. And the results of the study indicate that aid is not necessarily targeted toward groups with the lowest incomes or toward groups with the highest prevalence of problems.

In light of these findings and the current constraints on federal spending, policymakers could consider options to modify federal rental assistance programs. Housing aid could be retargeted toward the poorest households or toward large families with children (the group with the highest incidence of problems). In addition, more households could be served with the available aid by limiting the assistance provided to each recipient. Options include increasing the percentage of income that subsidized households contribute toward their rent, converting expensive forms of aid to cheaper ones, or limiting the duration of aid.

Questions regarding this study should be addressed to Carla Pedone of CBO's Health and Human Resources Division at (202) 226-2665. The Office of Intergovernmental Relations is CBO's Congressional liaison and can be reached at 226-2600. For additional copies of this study, please call CBO's Publications Office at 226-2809.



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